

RBS GAS UTILITY, INC. REC'D TN
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PRENTISS, MS 39474

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March 10, 2001 OFFICE OF THE
EXECUTIVE SECRETARY

Mr. Mike Horne
Energy & Water Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Docket No.01-00147

1. (a) Explain how the current gas prices effect your base rates? (b) Will your company experience any increase in its rate of return due to the increase in weather related sales volumes and the price of gas? (c) Do any of your current tariff rates (customer charges or per therm rates) include gas cost components? If so, explain which rates and the current amount of gas cost included.

Response:

(a) Gas cost through 2/28/2001 of \$5.65 per MMBTU resulted in a PGA factor of \$3.7771. Gas cost included in our base rates is \$3.21 per MMBTU.

(b) No. Weather related sales volume increase will not offset revenues lost from commercial business cessation, commercial account non payment and other adverse economic impact in service area. The increased price (cost) of gas has no positive effect on return because the PGA factor only allows recovery of cost. The net impact to our company will be negative due to a greater loss of accounts receivable due to: (i) lack of adequate customer deposit; (ii) customer inability to pay (bankruptcies); and (iii) customers voluntarily selecting alternative fuel sources thereby reducing gas sales.

(c) Yes. All of our rates carry a 100% gas cost component based on MMBTU's (therms). Our customer charge is a flat \$5.00 per month charge authorized by

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the TRA in 1991 which does not include any gas cost component.

2. (a) When do you foresee your next PGA filing? (b) Will your next PGA filing show a decrease over current levels?

RESPONSE:

(a) March, 2001 for an effective date of March 31, 2001. Our gas contract for period March 1 - May 30, 2001 provides for a contract rate of \$6.25 per MMBTU. This represents an increase from \$5.65 per MMBTU from period ending 2/28/2001. We will evaluate gas prices at the end of that period and attempt to contract for the period 6/2001 through 5/2002 at lower average cost than the \$5.65 paid during this past winter heating season.

(b) No. Our next PGA filing for period 3/1/2001 through 5/30/2001 will request an increase due to an increase in gas cost from \$5.65 to \$6.25.

3. Provide a "sample" copy of a customer's bill or billing information that shows special notes or information about high gas prices and how to obtain assistance or extended payment plans.

RESPONSE:

RBS mailed the following enclosure with the September, 2000 gas bills. We were called by TRA employees and questioned about the language of the enclosure. However, our efforts were intended to alert our customers of two facts: (1) the cost of our gas supplies was being increased from that currently being paid in September, 2000 by approximately 67% from \$3.40 to \$5.65 per MMBTU; and (2) we intended to file for a purchased gas adjustment that would pass that increase in gas cost to our customers. We also suggested to our customers that due to the prospective increase in gas cost, they may want to consider alternative energy sources.

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We have not used any other written communication to our customers regarding "high" gas prices during this period. RBS does not have the financial ability to offer long term assistance or extended payment plans because we must pay our supplier within 25 days after the end of month of delivery. We have advised a number of customers of limited public financial assistance through the Cordell Hull Agency. We have offered several customers, primarily older customers on fixed incomes, the opportunity to pay their gas bills over an extended period. None, have yet accepted our offer.

4. (a) Are customers who have been late in making payments or disconnected for non-payment reported to an outside "credit agency"? (b) Does your company contact a credit agency on slow or no pay customers? (c) Does the company have its own internal credit rating program? And if so, explain how it works and what happens to that late pay or no pay customers?

RESPONSE:

(a) We report customers who are disconnected with a remaining balance due after credit of deposit and who refuse to pay the bill within 90 days to an outside credit/collection agency.

(b) RBS only contacts a credit/collection agency on non pay customers and then only after an account is disconnected and 90 days past due.

(c) We have no formal written internal credit rating program. However, if a customer is late with a payment, contact by phone is usually made to encourage payment. Service to no pay customers is terminated only after a written termination notice is mailed and the customer is given more than 10 days to pay the past due bill. Service is not discontinued if the customer is ill or aged until a family member or other concerned party or entity is contacted.

5. (a) Explain the current disconnect policy for residential customers and how that policy has changed

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from previous years. (b) Outline what your company has done to handle the number of abnormally high number of disconnections for non-payment. (c) Does your company waive any late fees or charges as part of its payment plan options?

RESPONSE:

(a) Our current policy has not changed from recent years. We monitored account balances more closely this winter heating season because of the significant increase in gas cost and the higher than normal usage due to colder temperatures.

(b) **We have not experienced an abnormally higher number of disconnections this winter heating season due to non payment.** Our customers have been more diligent toward paying their bills since early 2000 than at any time since we commenced operations in 1991. Part of the reason for this is due to the fact that we begin enforcing our disconnect policy more stringently in January, 2000 due to previously unacceptable levels of past due accounts. We have disconnected a total of eleven (11) customers since October 1, 2000, with three (3) of these due to non payment of account (one was a commercial account). None of those cutoff for non payment made any effort to contact our company and request any type of payment extension and none had adequate deposits on their accounts. The other eight (8) were disconnected at their request because they chose alternative energy sources.

(c) For those customers who have requested extended payment plans, we waive late fees. We do not waive other TRA approved and billed charges.

6. (a) Provide the number of residential customers subject to disconnection for non payment by month through February, 2001. (b) Provide the total outstanding charges for these customers? (This information should be filed by month through April, 2001)

RESPONSE:

	<u>2000</u>	<u>No.</u>		<u>TOTAL OUTSTANDING:</u>
(a)	October -	None	(b)	\$ 0.00
	November-	None		\$ 0.00
	December-	11*		\$1,972.66
	<u>2001</u>			
	January -	12*		\$2,262.94
	February-	4*		\$ 447.41

*Number of termination notices sent on the last day of the respective month. Termination of service, if any, would be at least 10 days after date of notice.

7. (a) Provide the actual number of residential customers that were disconnected for non payment by month through February, 2001. (b) Provide the total outstanding charges for these customers? (This information should be filed by month through April, 2001)

	<u>2000</u>	<u>No.</u>		<u>TOTAL OUTSTANDING:</u>
(b)	October -	0	(b)	\$ 0.00
	November-	0		\$ 0.00
	December-	0		\$ 0.00
	<u>2001</u>			
	January -	0		\$ 0.00
	February-	2**		\$ 518.70

**Would be result of termination notice dated 1/30/2001 for past due balance resulting from service prior to 1/1/2001.

8. (a) Have you experienced an increase in calls relating to the high billings? (b) Explain the steps you have taken to handle the increased number of customer calls and waiting time customers experience when calling about high bills?

(a) Yes, we received more calls relating to the higher bills during November and December, 2000 than in

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past winter heating seasons. The number of calls related to higher bills decreased dramatically during 2001. We believe this is because the print and television media have done an excellent job of informing the public regarding higher natural gas and other energy fuel prices.

(b) Our company services approximately 225 customers in Red Boiling Springs and parts of surrounding Macon County, Tennessee. We have answered all calls and all questions, usually on the same day received. Our company immediately performs a re-read of the affected customer's meter when a question arises concerning a billing.

9. (a) How many customers have been offered an extended payment plan (whether budget or short term deferred payment plan) this year compared to last year? (b) Provide the details of the payment plans and how they are administered.

RESPONSE:

(a) Several customers (we have no formal record of their identity) have been offered short term deferred payment terms (none have accepted to date). Our policy has always been to work with our customers to obtain payment of their account and thereby continue to provide gas service. We made no written offer to our customers offering en masse deferred payment plans because we do not have the financial strength to carry these accounts for several months, especially during this period of abnormally high gas prices.

(b) Basically - pay as much of each month's bill as you can and then pay the remainder during the summer months prior to October 1.

10. (a) Do you refer customers to civic, charitable or governmental agencies for assistance in making payments. If so, how many customers?

RESPONSE:

(a) We refer customers to the Cordell Hull Agency in Lafayette, Tennessee. That is the only source that has informed us of their willingness to provide limited financial assistance toward payment of energy bills. We currently have four (4) customers receiving some amount of financial assistance from this agency. We have informed at least one other customer of the name and address of this agency. We have no other information regarding other sources of assistance.

11. (a) Provide the number of customers that have been interrupted (commercial or industrial). (b) When did their curtailment start and stop? (c) Do you expect to curtail any customers during the coming months? (This information should be filed through April, 2001). (d) Do you foresee any problems serving your firm customers for the remainder of this heating season?

RESPONSE:

- (a) None
- (b) N/A
- (c) No
- (d) No

COMMENT:

Our company has experienced more non payment problems with commercial customers since October, 2000 than with residential customers. One commercial customer (to whom service has been discontinued) has a past due bill of \$4,218.63 which we expect to lose because of insolvency of that business.

The initial Order granting our CCN provided that we contract for gas supplies on an annual basis to ensure adequate availability for our customers. Since our company commenced business in November, 1991, our gas supply

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contract term has been from November 1 through October 31 of each year. We were under contract through October 31, 2000 and could not take any contractual action to lock in lower prices when we first noted significant tightening of the gas market earlier in 2000. Since November 1, 2000, we have initiated short term contracts (November 1, 2001 - February 28, 2001 & March 1, 2001 - May 30, 2001) to allow us to re-align our annual contract period for our future annual gas supplies from June 1 of each year with a hopeful lower price result.

This company commenced operations in Macon County, Tennessee in 1991. We have never earned a profit and have not sought an increase in tariffs because there were competitively priced alternative energy sources available to our customers. An increased tariff would have driven many customers to other fuel sources with resulting lower sales. Expansion of the system is not economically feasible because we operate in a sparsely populated rural area. Several commercial customers, primarily apparel sewing operations, have ceased their business operations in our market area with a notable adverse impact on our sales. We have seen our sales decline significantly since we first commenced operations and have no knowledge of any positive future business expansion in our market area that will contribute to increased sales and necessary profitability. NAFTA may have resulted in lower costs of goods for apparel manufacturers but it also contributed significantly to the creation of an economic wasteland in Macon County, Tennessee. Our company is caught in the squeeze of lower sales, high unemployment and higher gas supply prices that are without our control. Through all of this, we have continued to serve our customers without interruption. The only discontinued service has been due to non payment and then because the customer is not willing to make any effort to pay or to work with our company. We have too few customers to lose any but can not afford to carry all for an extended period of time.

Sincerely,

A handwritten signature in dark ink, appearing to read 'W. E. Hathorn', with a stylized flourish extending to the right.

W. E. Hathorn

Dear Customer:

We have been notified that our gas supply cost will increase approximately 67% effective November 1. RBS will petition the Tennessee Regulatory Authority to pass this increased cost on to our customers. Because of the significant cost increase and adverse impact it will have on your energy fuel budget, we are advising that you may want to consider alternative energy sources. We regret the increase in cost but have no control over the gas supply market.

RBS Gas Utility, Inc.

9/30/2000